



Aboriginal and Torres Strait Islander Health Practice	Occupational Therapy
Chinese Medicine	Optometry
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Medical Radiation Practice	Podiatry
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Australian Health Practitioner Regulation Agency

Contract Management Framework

January 2018

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1 Introduction

Contract Management is a process for managing the lifecycle of contracts created and administered by an organisation. The objective of Contract Management is to ensure that both parties meet their respective commitments as efficiently and effectively as possible and that the intended outcomes of the contract are delivered.

The purpose of the Contract Management Framework is to provide a clear and standardised approach to managing and administering contracts.

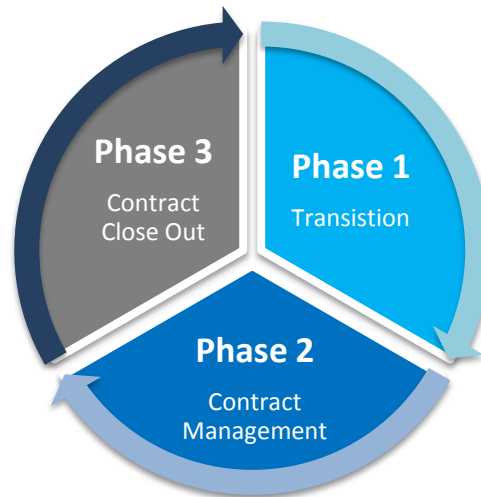


Figure 1: Contract Management Cycle

2 Benefits of Contract Management

Contract Management is as important as the purchasing process and involves monitoring performance to ensure both parties meet the commitments made in the contract. Successful Contract Management depends on establishing and maintaining a worthwhile relationship with the supplier. This requires the commitment of both parties to achieving the objectives set out in the contract and establishing and maintaining trust and mutual support.

Why is Contract Management important?

- To effectively deliver contracted goods and services at the agreed levels
- To ensure ongoing contract compliance and performance and reduce contractual risks through robust Contract Management practices
- To maintain a relationship with the supplier without the requirement for formal mediation or litigation
- To effectively deliver contracts at or under the agreed costs and rates and Identify savings opportunities throughout the Contract Management process

What does Contract Management deliver?

- Enables AHPRA to ensure that the contractual obligations are met by both parties
- Ensures correct reporting to key stakeholders
- Provides governance to make changes to the contract and resolve disputes
- Facilitates additional benefits through ongoing performance reviews, service improvements, innovation, etc
- Maximises outcomes to AHPRA by managing supplier performance, maintaining quality, improving productivity and identifying opportunities for improvement and innovation
- Ensures probity of the ongoing procurement activities
- Ensures that contract managers understand their responsibility to ensure immediate declaration of any change in private interest that may be perceived to be or constitute an actual Conflict of Interest. Refer to AHPRA's Probity Guidelines

What are the risks if Contract Management is not performed?

- Disruption of the supply of goods or services
- Increase of disputes and contractual issues
- Increased exposure to potential claims
- Issues can be escalated to the wrong people and/or at the wrong time
- Reputational damage for AHPRA and the supplier
- Value for money is not realised
- Increase of opportunity for fraudulent and corrupt behaviour by employees and contractors to occur

3 Roles and responsibilities

There are three key roles essential for managing contracts effectively.

Contract Owner:

- Accountable for the budget that funds the contract
- Approves the contract payments and variations
- Appoints Contract Management roles

Contract Manager:

- Manages the contract as the single point of contact for suppliers on all contract matters
- Monitors contract performance and compliance

Contract Administrator:

- Performs administrative activities over the Contract Management lifecycles

4 Contract Management Phases

The following table summarise the key steps in each phase of Contract Management:

Phase 1 -Transition	Contract hand-over
	Classify contract based on value and risk
	Confirm Contract Management roles
	Finalise Contract Management plan
	Set-up information management structure
	Conduct kick-off meeting
Phase 2 - Contract Management	Manage performance
	Contract Administration
	Risk Management
	Manage contract extensions / renewal / variation
Phase 2 - Close-out	Final performance review
	Lessons learned
	Contract close-out/transition

5 Contract Management Planning

Contract Management planning starts before the contract is signed. Activities performed prior to the contract award have an impact on how the contract will be managed. While these activities are outside the scope of the Contract Management Framework, they must be aligned with the Contract Management activities.

These activities are:

- Contract terms and conditions agreed by both parties
- Performance management and reporting activities agreed
- Contract Owner appointed
- Contract Management Plan implemented

6 Contract Management Lifecycle

6.1 Phase 1 - Transition

Transition is the period between contract execution and service commencement / delivery. The key objective of transition is making the necessary preparations to ensure that both the supplier and AHPRA are able to deliver the terms of the contract and specification.

6.1.1 Contract hand-over

When the sourcing process ends, the signed contract must be handed over to the Contract Manager. The follow steps need to occur as part of the transition step:

- Appointment of a Contract Manager
- Review and document scope and expected outcomes for the contract
- Ensure the contract is registered in the Unit4 Contract Management system
- Key contractual documents need to be handed over to the Contract Manager;
 - Signed contract
 - Supplier's proposal
 - Contract implementation plan
 - Payment terms
 - Insurance and securities
 - KPIs/SLAs and performance measures

6.1.2 Confirm Contract Management roles

The Contract Owner must assign the personnel that will be responsible for the Contract Management roles:

- Contract Owner
- Contract Manager
- Contract Administrator

It is important that the right people are assigned to the right roles.

The following should be considered when selecting the Contract Management team:

- Does the contract need to be managed by someone with specialist skills and experience?
- Do the individuals have the required experience, knowledge and authority for the role given the contract classification and risk profile?
- Do they have enough time to carry out the role?
- Can the person carry out multiple roles?
- Are they willing to take accountability for the role?
- Do they have any private interests or relationships that may give rise to claims of Conflict of Interest (perceived or actual).

6.1.3 Finalise Contract Management plan

A Contract Management Plan contains all the key information detailing how a contract will be managed. The plan establishes systems, responsibilities and processes to ensure that the parties comply with the terms and conditions during the life of the contract. It also establishes a framework against which the performance of both parties can be monitored and problems easily identified, before or as they occur.

It is important that preparations for managing the contract are in place prior to the contract commencing. Throughout the sourcing process, the sourcing lead will gain valuable information about the arrangements under the contract that will be important to include in the Contract Management plan such as:

Key contacts - a summary of the parties key contacts, eg the supplier's representative

Governance and responsibility – responsibilities should be clearly defined and the individuals made aware of their roles

Contract Management strategies – processes should be identified to deal with potential issues or scenarios, such as disputes, variations and risk management, and other standard Contract Management activities

Performance management – targets and KPIs / SLAs should be stipulated against required benchmarks, as identified within the contract initiation phase and later through the sourcing documents.

Key dates – dates and events relating to the contract should be identified.

Risk management – key risks associated with the contract should be identified, with appropriate mitigation strategies

Privacy Impact Assessment - on-going tracking of all required actions from Privacy Impact Assessments (PIA) where contracts involve the collecting and/or handling of Personal, Health or Protected Information

Communication strategies and reporting requirements – it is important to understand the communication arrangements and reporting mechanisms that are in place for the contract, such as frequency and location of supplier meetings, KPI/SLA reports

Initial contract delivery requirements – the supplier may be required to provide certain milestones or documentation on the execution of the contract such as bank guarantees or insurance policies. The contract must not commence until all required documents have been provided by the preferred supplier/service provider.

Record Management – key contractual documents should be stored securely both physically and electronically, with access provide to the relevant resources.

The Contract Manager is responsible for finalising the Contract Management Plan during the contract set-up step.

6.1.4 Set-up information management structure

The contract administrator must establish the record management files to ensure that there is a contract file structure with the appropriate security controls.

Documents to be filed:

- Signed contract
- Bank guarantee (if applicable)
- Insurance certificates
- Scope of work (if separate to the signed contract)
- Proposal / tender response
- Tender documents issued by AHPRA
- Contract Management plan (where applicable)

6.1.5 Conduct kick-off meeting

The Contract Manager should organise a kick-off meeting as soon as possible after the contract has been awarded. Some contracts will not warrant having a kick-off meeting, such as routine contracts. Exercise judgment as to when one is required.

The Contract Manager and the supplier's representative must attend the kick-off meeting. Any key stakeholders should also attend.

The purpose of the meeting is:

- Ensure 'everyone is on the same page' with regards to expectations and contract objectives
- Establish and agree contract governance such as, communication, reporting, delegation of authorities, performance, escalation pathways

The Contract Manager is responsible for conducting the kick-off meeting, taking minutes and distributing the completed minutes to the parties.

6.2 Phase 2 – Contract Management

Contract Management is the process that ensures both parties fully meet their respective obligations as efficiently and effectively as possible, in order to continually deliver the business and operational objectives required from the contract. Contract Management differs from Contract Administration as it is not purely administrative in nature but also involves strategic thinking, decision making and oversight.

An important element of Contract Management is the quality of the relationship between AHPRA and the supplier. Having a professional, constructive and courteous relationship with the supplier is critical to the successful delivery of the contract.

6.2.1 Manage performance

Establish KPIs/SLAs

Implementation of performance management activities is a key step for delivering the expected values from the contract. The KPIs/SLAs to be measured in the contract should be identified at the sourcing step, before the contract is signed. Both parties will need to agree what will be measured, how it will be measured, who is responsible for tracking the performance and how frequently. This should be included in the signed contract.

Examples of contract measurement

Quality	Level of quality of the goods / services delivered
Cost	Total cost incurred to deliver a good/service
Savings	Total savings delivered by the supplier to deliver the contract
Responsiveness	Lead-time to respond to requests

Monitoring performance

Evaluating supplier performance is important in order to:

- Ensure suppliers deliver efficiently and effectively on the contractual requirements
- Identify high-performing or low-performing suppliers
- Identify trends, issues or problems that can be addressed with the supplier and resolved before the problem becomes significant
- Ensure that benefits are being realised under the contract

Contract Performance Monitoring

	Routine contracts	Leveraged / Focused contracts	Strategic Contracts
Establish contract reporting process	Optional	Required	Required
Audience	<ul style="list-style-type: none"> • Key users • Supplier 	<ul style="list-style-type: none"> • Contract owner • Supplier • Contract users 	<ul style="list-style-type: none"> • Contract owner • Supplier • Contract users
Frequency of formal review meetings	Optional	<ul style="list-style-type: none"> • Required • 6 months or annually 	<ul style="list-style-type: none"> • Required • Quarterly or every 6 months
Frequency of informal meetings	As required	Recommended monthly or quarterly (as required)	Recommended monthly or quarterly (as required)

The recommended method for conducting a performance review is face-to-face meetings between the customer and the supplier.

Pre-meeting activities:

- Collect KPI/SLA information
- Review previous meeting actions
- Confirm meeting frequency, date and location
- Set meeting objectives
- Develop meeting attendee list and agenda
- Develop meeting materials

Review Performance measures

Over the life of the contract the Contract Manager should review the validity of the performance measures as they may require updating for a number of reasons, for example;

- A greater understanding of how the contract works
- Significant organisational change from either parties to the contract
- Modification or introduction of new legislation

Regular reviews of the contract performance measures should be conducted. The following factors should be taken into account:

- Can the KPIs/SLAs be objectively measured? If not, can the contract be varied to ensure performance is measurable?
- Are the measures SMART – Specific, Measurable, Actionable, Realistic and Time-based?
- Does the performance process drive better contract outcomes, or is it performance management for the sake of performance management
- Is the data easily available or will additional methods need to be implemented?
- If there are instances of underperformance, is there an agreed process for addressing the poor performance, or escalating continued performance issues?

If necessary amend the contract through the contract variation process to include the updated KPIs/SLAs.

Managing unsatisfactory performance

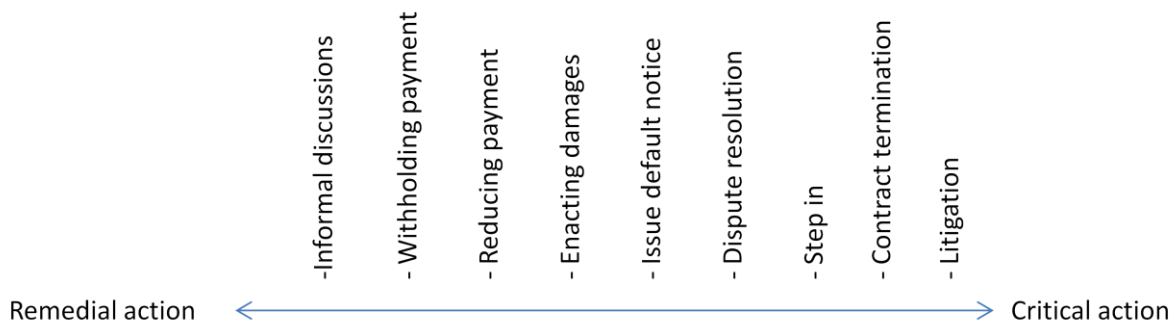
When a supplier's performance is unsatisfactory the Contract Manager needs to anticipate problems or address them promptly as they arise.

Many contractual issues arise when occur when the parties cannot agree on issues relating to

Options for managing unsatisfactory performance;

1. **Informal discussions** – involving senior management from both parties participating in face-to-face discussions or written communications. Addressing performance this way can avoid damaging the relationship with the supplier by preventing the need to escalate the issue.
2. **Withholding payments** – for non-delivery in accordance with the terms of the contract
3. **Reducing payments/withholding incentives** – as a result of failure to meet KPIs/ SLAs
4. **Enacting damages (liquidated damages)** – where the contract designates an applicable sum in the instance of a certain breach, which can be applied to the payment regime
5. **Issue a default notice** – when a default event occurs. This includes the requirement for the supplier to provide a plan identifying how it plans to resolve the issues, which is monitored by the Contract Manager
6. **Using dispute resolution** – methods such as negotiation, arbitration and mediation. These can be facilitated by an external third party
7. **Using 'step-in'** – where AHPRA or an external supplier (s) takes temporary contract over the service delivery until the supplier resolves significant or repeated problems or issues. This includes the requirement for the supplier to provide a plan identifying how they plan to resolve the issues. This continues to be monitored by the Contract Manager after the supplier has resumed service delivery.
8. **Terminating the contract** – this occurs in the instance of serious, repeated or significant breaches of contract
9. **Initiating litigation** – where legal action is initiated to have a dispute resolved in court

Figure 2: Assessing Value/Risk of a Contract



The course of action taken by the Contract Manager will depend on the:

- **Criticality of the contract** – for example a breach of delivery for Routine contracts will not significantly affect AHPRA's business, whereas a breach of contract for Strategic contracts may require more significant action
- **Significance of the breach** – for example a minor non-compliance may be addressed through informal discussions, whereas a significant breach may require more extensive mitigations
- **Availability of alternatives** – for example, if there is no other supplier readily available to deliver the contract, AHPRA will be unable to terminate or step in
- **Potential damage to the supplier relationship** – unnecessarily severe action which is not equivalent to the underperformance issue could damage the relationship

Where action is taken, the Contract Manager is to monitor the progress of the chosen course of action to ensure that the non-performance is remedied. If, after monitoring, for a reasonable period of time, it is apparent that the continued non-performance is still occurring the issue may need to be escalated further.

Manage complaint/disputes

Proactive and planned Contract Management can prevent disputes from occurring. Formal dispute resolution should be a last resort and appropriate actions should be taken by the Contract Manager and contract owner to address issues as they arise.

The Contract Manager must follow the process defined in the contract for addressing complaints and managing disputes.

In the circumstances where a complaint is raised, the Contract Manager should liaise with the supplier's representative to resolve the issue in alignment with the contract terms and conditions. Some complaints may be resolved easily and direct contact with the supplier representative is the most effective response.

In circumstances where the Contract Manager is unable to resolve the complaint, it should be escalated in accordance with the terms and conditions of the contract.

In conjunction with the process set out in the contract for addressing complaints and managing disputes, the Contract Manager should:

- Engage the supplier in open, transparent and constructive conversation outlining the issue
- Give the supplier an opportunity to explain the cause or nature of the non-performance or non-compliance
- Work with the supplier to develop a solution to address the issue
- Seek assistance from subject matter experts to ensure the agreed plan is suitable
- Escalate the issue if the scope is outside the Contract Manager's authority

6.2.2 Contract Administration

The aim of Contract Administration is to fulfil the administrative activities relating to the contract, so that the contract runs smoothly and both parties meet the obligations of the contract. The process of Contract Administration can range from general oversight for a routine contract through to significant Contract Administration activity requiring dedicated resources for Strategic agreements.

Financial administration

The Contract Administrator should monitor the contract spend throughout the contract lifecycle:

Payment to suppliers should only be made:

- Following submission of a valid tax invoice for goods and/or services covered under the scope of the contract
- Following receipt of a correctly submitted invoice from the supplier within the agreed timeframes
- When the Contract Administrator is satisfied that the provisions of the milestones or deliverables have been met
- Where the payment amounts are validated and in accordance with the contract
- When the necessary internal authorisations have been received

Approved payments should not be delayed unnecessarily as this can undermine the relationship with the supplier, have a negative financial impact (e.g. additional interest) and breach the terms of the contract.

6.2.3 Risk Management

The Contract Manager should actively compile and manage risks throughout the life of the contract.

For contracts with more significant risks, a separate Risk Plan may need to be developed and periodically reviewed and updated throughout the life of the contract. Risks identified should be documented in a register, assigned to a staff member and revisited periodically. Examples of risks for the management of individual contracts may include:

- AHPRA's Contract Management capability (e.g. failure to have sufficiently skilled and experienced resources to effectively manage contracts)
- supplier performance (e.g. failure to provide contract deliverables on time, to the agreed quality standards)
- changes in circumstances and/or requirements (e.g. supplier may exploit the need for a change to terms and conditions for financial gain)
- stakeholder relationships (e.g. differing and/or conflicting stakeholder expectations).

Risk reviews can be incorporated into the regular performance review meeting to ensure they remain up to date.

An escalation process should be put in place, with all high to extreme risks reported to the contract owner to action.

6.2.4 Management of extensions, renewal or variations

During the contract lifecycle, circumstances may require the contract to be varied. Reasons why variations may be needed include:

- Technology changes or improvements
- Changes in legislation that impact the contract and specification
- Demand fluctuations
- Requests for additional goods or services outside the original scope
- Exchange rate fluctuations
- Changes in external pricing drivers

Before a contract is extended or renewed, value for money must be assessed.

Any variations, extensions or renewal must be done in accordance with the procurement policy to ensure approval is given by the appropriate delegate and any changes to the contract's terms and conditions need to be reviewed by legal.

The Contract Administrator should keep on file any relevant documentation related to contract extensions, renewals and variations.

Managing options for extension and monitoring contract end dates

Where options are available to extend a contract, they should not be accepted without due consideration as to whether:

- The need for the requirement is still ongoing
- The supplier is performing satisfactorily
- The supplier offers better value for money than other suppliers in the market

If the answer to any of these is no, the Contract Manager should consider sourcing a new contract via a new procurement process. The assessment needs to commence in a reasonable time before the contract expiry date, because if an option to extend is not available or not accepted, a procurement activity may be required to source a new contract.

6.3 Phase 3 – Contract Close out

The contract close-out is the step for ensuring that contract obligations and liabilities with the supplier have been completed. It may also include transitioning to another supplier for the good and/or services.

6.3.1 Contract Close-out

A contract can be closed in a number of ways:

- When all obligations under the contract have been fulfilled
- The contract expires
- The intention to complete an agreement has been frustrated by events beyond all parties' control
- The refusal or inability to complete a fundamental condition of the contract by either party results in a breach, allowing for the ending of the contract
- All parties agree to end the contract

The majority of contracts will close when they have been fulfilled or expire.

Managing re-procurement

Before a contract is completed or expires, the Contract Manager will need to assess whether there is an ongoing need for the goods and/or services delivered under the existing contract. This assessment should occur a significant amount of time prior to the scheduled completion of the contract, because if the need is ongoing, a procurement activity may be required to execute a new contract. This requirement is just as applicable when considering whether to extend the contract.

The Contract Manager should set a predefined point at which to commence a new procurement activity. This date should be based on the estimated time that a procurement activity will take to execute a new contract, plus any period for transition.

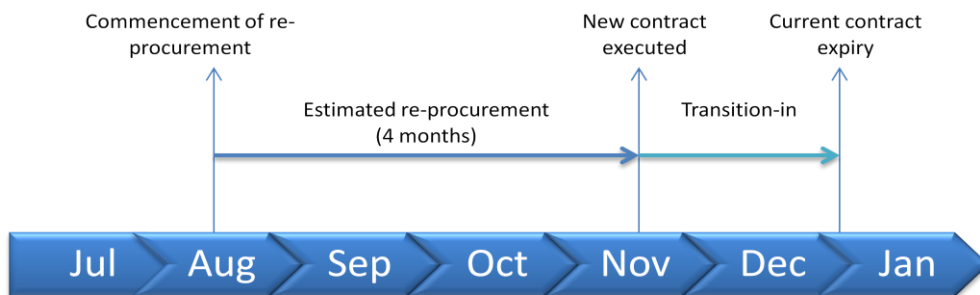


Figure 3: Re-procurement scenario

6.3.2 Final performance review

The objective of this activity is to evaluate supplier performance and provide feedback that can be used as a reference for future work.

Prior to the close-out of the contract, the Contract Manager should conduct a final performance review. The depth and details of the review process will vary depending on the contract. Where appropriate the Contract Manager should provide all or part of the feedback from the contract review to the other contracted party. This will enable future arrangements to better meet the needs of customers.

The following should be taken into consideration as part of the review:

- Whether the contract achieved its objectives
- The supplier's performance

- Customer performance
- Satisfaction of the users
- Contract variations
- Any disputes
- Budget versus actual spend
- Weaknesses in planning, management and procedures
- Audit reports

6.3.3 Finalising the contract closure

Managing transition

There may be the need for the goods/services to continue, but with a different supplier.

The transition period from one contract to another can be a high-risk period. It is the responsibility of the Contract Manager to develop a transition plan. The following aspects should be considered when developing the transition plan:

- Identify any specific differences between the current and future contract
- Develop a new communication plan, identify stakeholders, both internally and externally who may be impacted by the changes
- Update internal processes or procedures with any changes required under the new contract

Depending on the size and complexity of the contract, the transition period may take several months and require ongoing management by the Contract Manager.

Contract Closure tasks

At the conclusion/expiry of the contract, the contract must be formally closed according to the agreed terms and conditions. The following steps should be considered when finalising a contract:

- Confirm that all contract deliverables or transition out tasks have been delivered or met by the outgoing supplier
- Arranging for the return of all AHPRA equipment and assets
- Obtain all final reports, documentation and clearances from the supplier
- Ensure all access rights and security passes for supplier staff are terminated
- Finalise all final payments under the contract

6.3.4 Lessons learned

Once a contract has concluded it is important that the contract is reviewed and lessons are logged. The best practice approach is to gather the Contract Management team and undertake a review session to capture the lessons learned. It is best to do this before any team member move on to other contracts or new projects.

An effective 'lessons learned' exercise requires that the relevant data and information are tracked and document at regular intervals through the life of the contract. This ensures that lessons are continually captured. This is particularly relevant for long term contracts when staff turnover is more likely and when remembering all the critical considerations and events after the contract closure is more difficult.

The lessons learned activity should focus on the:

- Relationship between the supplier and key stakeholders
- Overall performance of the supplier in delivering the contract
- Overall performance of the team managing the contract
- Suitability of the contractual documentation, performance management regime and specifications
- AHPRA's performance in the management of the contract
- Benefits realised versus expectations

A 'lessons learned' workshop provides an opportunity staff involved with the contract to talk about what happened during the contract in terms of:

- Successes
- Unintended outcomes
- Other things that, in retrospect, might have been better handled if done differently
- Recommendations to others who might be involved in developing and managing contracts of a similar type.

The following questions can be used to facilitate the discussion:

- What worked well? What didn't work well?
- How did the customer report problems?
- What changes are recommended for next time
- How might problems be avoided or resolved more quickly?
- What lessons might affect how AHPRA agrees future terms and conditions